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***Financial Report***  
***Consolidated Waterworks District No. 1***  
***of the Parish of Terrebonne,***  
***State of Louisiana***  
***For the year ended June 30, 2014***

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date DEC 31 2014

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For the year ended June 30, 2014

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**FINANCIAL SECTION**

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Commissioners,  
Consolidated Waterworks District No. 1 of the  
Parish of Terrebonne, State of Louisiana,  
Houma, Louisiana.

We have audited the accompanying financial statements of the Consolidated Waterworks District No. 1 of the Parish of Terrebonne, State of Louisiana (the District), a component unit of the Terrebonne Parish Consolidated Government, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we

express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Consolidated Waterworks District No. 1 of the Parish of Terrebonne, State of Louisiana, as of June 30, 2014, and the respective changes in financial position and cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Schedule of Funding Progress for the OPEB Plan on pages 4 through 9 and 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries with management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements. The information contained in Schedules 1 through 11 for the year ended June 30, 2014 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That information, except for that portion marked "unaudited" in Schedules 5, 6, 7 and 8, has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements and to the financial statements themselves, and other additional procedures in accordance with auditing procedures generally accepted in the

United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements for the year ended June 30, 2014, as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the statement of net position of Consolidated Waterworks District No. 1 as of June 30, 2013, 2012, 2011 and 2010, and the related statement of revenues, expenses and changes in net position for each of the four years in the periods ended June 30, 2013 (none of which is represented herein), and have issued our reports thereon dated December 16, 2013, November 14, 2012, December 20, 2011, and December 14, 2010, respectively, which contained an unmodified opinion on those financial statements. The information contained in Schedules 9 through 11 for the years ended June 30, 2013, 2012, 2011 and 2010 is also presented for additional analysis and not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the accounting and other records used to prepare the financial statements as of and for the years ended June 30, 2013, 2012, 2011 and 2010. The information for the years ended June 30, 2013, 2012, 2011 and 2010 in Schedules 9 through 11 has been subjected to auditing procedures applied in the audits of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other procedures in accordance with generally auditing procedures generally accepted in the United States of America. In our opinion, the information presented in Schedules 9 through 11 for the years ended June 30, 2013, 2012, 2011 and 2010 is fairly stated in all material respects in relation to the financial statements as a whole from which it has been derived.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated October 27, 2014 on our consideration of the Consolidated Waterworks District No. 1 of the Parish of Terrebonne, State of Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

*Bourgeois Bennett, L.L.C.*

Certified Public Accountants.

Houma, Louisiana,  
October 27, 2014.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Consolidated Waterworks District No. 1 of the Parish of Terrebonne, State of Louisiana**

This section of the District's financial report presents our analysis of the District's financial performance during the year ended June 30, 2014. Please read it in conjunction with the financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

- The District's net position increased by \$3.3 million or 4.10%.
- During the year, the District refunded \$6.6 million of its 2003A Water Revenue Bonds for an estimated reduction in future principal and interest payments of \$1.3 million.
- During the year the District's operating revenues increased by \$1.7 million or 10.56%, while other operating expenses increased by approximately \$.6 million or 5.88%.
- Non-operating revenues decreased \$3.1 million primarily because of a non-recurring lawsuit awarded in the previous year.
- Non-operating expenses increased \$.2 million or 18.18% due to increases in interest expense.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This financial report consists of four parts: Management's Discussion and Analysis, Basic Financial Statements, Supplementary Information and Special Reports by Certified Public Accountants and management. The Financial Statements also include notes to the financial statements, which explain some of the information in the financial statements in more detail.

### **REQUIRED BASIC FINANCIAL STATEMENTS**

The Financial Statements of the District report information about the District using accounting methods similar to those used by private sector businesses. These statements offer short and long-term financial information about the District's activities. The Statement of Net Position includes all of the District's assets, deferred outflows of resources and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the District's operations over the year and can be used to determine whether the District has successfully recovered all its costs through its fees and other charges, profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments throughout the year. This statement reports cash receipts, cash payments and net changes in cash resulting from operations, investing, and financing activities.



## **FINANCIAL ANALYSIS OF THE DISTRICT**

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information in a way that the reader can determine if the District is in a better financial position as a result of the year's activities. These statements report the net position of the District and changes in them. The net position (difference between assets and liabilities) can be used to measure financial health or financial position. Over time, increases and decreases in the District's net position are one indicator as to whether its financial health is improving or deteriorating. There are other non-financial factors to consider, such as changes in economic conditions, population growth and new or changed government legislation.

### **NET POSITION**

To begin our analysis, a summary of the District's Statement of Net Position is presented in Table A-1.

**TABLE A-1**  
**Condensed Statements of Net Position**  
**(In millions of dollars)**

	<u>June 30,</u>		<u>Dollar</u>	<u>Total</u>
	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>Percent</u>
Current and Other Assets	\$ 34.4	\$ 34.4	\$ -	0.00%
Capital Assets	82.4	80.6	1.8	2.23%
Deferred Outflows of Resources	0.1	0.2	(0.1)	-50.00%
Total Assets and Deferred Outflows of Resources	<u>\$ 116.9</u>	<u>\$ 115.2</u>	<u>\$ 1.7</u>	1.48%
Long-term Debt and Obligations Outstanding	\$ 30.0	\$ 31.8	\$ (1.8)	-5.66%
Other Liabilities	3.1	3.0	0.1	3.33%
Deferred Inflows of Resources	0.1	-	0.1	100.00%
Total Liabilities and Deferred Inflows of Resources	<u>33.2</u>	<u>34.8</u>	<u>(1.6)</u>	-4.60%
Investment in Capital Assets	69.4	64.4	5.0	7.76%
Restricted	6.6	6.5	0.1	1.54%
Unrestricted	7.7	9.5	(1.8)	-18.95%
Total Net Position	<u>83.7</u>	<u>80.4</u>	<u>3.3</u>	4.10%
Total Liabilities and Net Position	<u>\$ 116.9</u>	<u>\$ 115.2</u>	<u>\$ 1.7</u>	1.48%

As can be seen from the table, net position increased \$3.3 million to \$83.7 million for the year ended June 30, 2014. This increase reflects capital projects financed with federal and state grants and unrestricted net position (those that can be used to finance day-to-day operations), restricted net position and donations to the District of newly completed waterlines from developers. Long-term debt and obligations decreased by \$1.8 million as a result of the payments of principal and refunding Water Revenue Bonds during the year netted with an increase of \$.3 million in other postemployment benefits.

**Table A-2**  
**Condensed Statements of Revenues,**  
**Expenses and Changes in Net Position**  
**(In millions of dollars)**

	For the year ended June 30,		Dollar	Total
	2014	2013	Change	Percent Change
Operating Revenues	\$ 17.8	\$ 16.1	\$ 1.7	10.56%
Non-Operating Revenues	0.3	3.4	(3.1)	-91.18%
Total Revenues	18.1	19.5	(1.4)	-7.18%
Depreciation	3.8	3.5	0.3	8.57%
Other Operating Expenses	10.8	10.2	0.6	5.88%
Non-Operating Expenses	1.3	1.1	0.2	18.18%
Total Expenses	15.9	14.8	1.1	7.43%
Change in Net Position Before Capital Contributions	2.2	4.7	(2.5)	-53.19%
Capital Contributions	1.1	0.9	0.2	22.22%
Change in Net Position	3.3	5.6	(2.3)	-41.07%
Beginning Net Position	80.4	74.8	5.6	7.49%
Ending Net Position	\$ 83.7	\$ 80.4	\$ 3.3	4.10%

The Statements of Revenues, Expenses, and Changes in Net Position provide answers as to the nature and source of changes in net position. The District's operating revenues increased by \$1.7 million to \$17.8 million or a 10.56%. \$1.3 million of the increase in revenues is a result of a waterline relocation services performed for the Louisiana Department of Transportation and Development and increases in water sales and service fees. Non-operating revenues decreased \$3.1 million primarily from the settlement of a lawsuit during 2013. Depreciation expense increased \$.3 million due to the completion various water plant and system projects. The District's other operating expenses increased by \$.6 million to \$10.8 million for the year ended June 30, 2014. Approximately 50% this increase is due to increases in other services and charges, while the remaining 50% was evenly split between increases in personal services and supplies. Non-operating expenses increased \$.2 million primarily due to increases in interest expense. The District has capitalized \$1.1 million of newly completed waterlines donated to the District by developers. These capitalized costs are reported as capital contributions and is an increase of \$.2 million as compared to the prior fiscal year.

## **BUDGETARY HIGHLIGHTS**

As required by revenue bond resolutions, the District adopts a line item budget no later than 30 days prior to the start of the following year. The budget is reviewed and amended as needed. During the year ended June 30, 2014, the budget was amended in the third and fourth quarters. The third quarter amendments reflected a net decrease in operating expense associated with a decrease in the required retirement system employer contribution and lower group insurance rates at renewal and an increase in GIS expenses and the addition of an expense category for the DHH emergency rule.

The amendments in the fourths quarter were to prevent budgeted expense overruns and to better reflect revenues. Budgeted operating revenues were increased by \$369,000 due to the scheduled annual rate increases and an increase in service connections and associated service fees. Net budgeted expenses were lower with decreases in personal services due to staffing issues and an increase in building maintenance, field maintenance and the DHH emergency rule. Actual operating expenses were approximately \$486,000 lower than final budget amounts. The most significant positive variances were in personal services and chemicals. The most significant overrun was in water plant maintenance and field maintenance. A more detailed analysis of the District's budget is presented in the supplemental information section of this report.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

At June 30, 2014, the District had invested \$148.0 million in a broad range of infrastructure including water plants at Schriever and Houma, distribution system, warehouse and administration facilities, vehicles, furniture and equipment as shown in Table A-3. This amount represents an increase of \$8.2 million, or 5.9 %, over last year. Included in the increase is a reclassification of \$.9 million of water filters and \$2.7 million of water tank painting and improvements. These assets were formerly reported as prepaid maintenance in prior years.

**Table A-3**  
**Capital Assets**  
**(In millions of dollars)**

	June 30,		Dollar	Total
	2014	2013	Change	Percent
				Change
Land	\$ 0.6	\$ 0.6	\$ -	0.0%
Water plant	41.6	39.5	2.1	5.3%
Distribution system	97.8	93.4	4.4	4.7%
Administrative building	2.0	1.5	0.5	33.3%
Plant equipment	0.7	0.6	0.1	16.7%
Furniture and equipment	0.8	0.7	0.1	14.3%
Automobiles and trucks	0.8	0.8	-	0.0%
Construction in progress	3.7	2.7	1.0	37.0%
Subtotal	148.0	139.8	8.2	5.9%
Less accumulated				
Depreciation	65.6	61.1	4.5	7.4%
Net book value	<u>\$ 82.4</u>	<u>\$ 78.7</u>	<u>\$ 3.7</u>	<u>4.7%</u>

This year's capital improvements included:

- Distribution system projects and purchases - \$1.3 million
- Reclassification of \$2.7 million in watertower painting and long-term maintenance projects from other assets to the distribution system.
- Waterlines donated by developers - \$1.1 million
- Improvements to the Schriever and City Water Plants - \$1.4 million
- Furniture and fixtures purchased - \$.2 million
- Completion of renovations to the Main Office - \$.5 million

As of June 30, 2014, the District currently has \$3.7 million in construction projects in progress. The District's fiscal year 2015 budget projects spending \$2.7 million for capital projects, principally for improvements to the distribution system and treatment plants. Also budgeted are replacements for vehicles, granular activated carbon and electronic meter reading equipment. The District believes these projects can be financed from available resources, including a CDBG Grant, based on projected cash flows. Additionally, the District plans on funding the addition of several trunk main lines within the Parish with the 2012 Bond proceeds. The District also plans to fund several projects to enhance the City of Houma system and several other distribution areas through the State's Drinking Water Revolving Loan Fund program. More information about the District's capital assets is presented in the Notes to the Financial Statements.

### **LONG-TERM DEBT AND OBLIGATIONS**

As of June 30, 2014, the District had \$26.5 million in long-term debt (water revenue bonds) down from \$28.5 million at June 30, 2013 for a net decrease of \$2.0 million. During the year ended June 30, 2014, the District issued \$6.0 million in debt to refund \$6.6 million the Series 2003A Bond Issue. It is estimated the refunding will save the District approximately \$1.3 million in bond interest payments through maturity on November 1, 2023. Also, in fiscal year 2014, the District paid \$1.4 million in principal payments on outstanding debt. More detailed information about the District's long-term debt is presented in the Notes to the Financial Statements.

The District's water revenue bonds maintain an A+/Stable rating from Standard and Poor's Rating Service.

Bond covenants allow for the issuance of additional debt, on a parity basis, subject to certain conditions. The major criterion is that annual net revenues must be at least 1.2 times the highest combined annual principal and interest requirements. The District currently carries a coverage ratio of 2.02 down from last year's ratio of 2.13.

As of June 30, 2014, the District's obligation for postemployment health care was \$2.1 million, which reflects an increase of \$.3 million for the year end June 30, 2014. More information on the District's postemployment health care obligation is presented in the Notes to Financial Statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The District's Board of Directors and management considered many factors when setting the fiscal year 2015 budget. One of those factors is the economy. The District's customer base has risen as a result of new development in Terrebonne Parish, both commercially and residentially.

Operating revenues available for recovering operating expenses are projected to be \$16.6 million, a decrease of \$1.2 million from fiscal year 2014 operating revenues of \$17.8 million due to a non-recurring water line relocation project in 2014. Budgeted operating expenses, including depreciation and amortization, are expected to be higher than fiscal year 2015 actual by approximately 4.0 % to \$15.2 million. Budgeted employment costs are affected due to adjustments to employee wages according to the approved wage plan. The District has also budgeted for potential increases in group insurance benefits and property and liability insurance.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. If you have questions about this report or need additional financial information, contact Consolidated Waterworks District No. 1 of the Parish of Terrebonne, State of Louisiana, Office Manager, P. O. Box 630, Houma, LA 70361.

# **STATEMENT OF NET POSITION**

## **Consolidated Waterworks District No. 1 of the Parish of Terrebonne, State of Louisiana**

June 30, 2014

### **ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

#### **Current**

Cash and cash equivalents	\$ 8,370,495
Accounts receivable:	
Customers	918,763
Unbilled water sales	1,091,443
Allowance for uncollectible accounts	(222,703)
Interest receivable	2,275
Due from State of Louisiana:	
Office of Homeland Security and Emergency Preparedness	680,117
Department of Health and Hospitals	19,191
Inventory of materials and supplies	536,776
Prepaid insurance	282,096
	<hr/>
Total current assets	11,678,453

#### **Restricted Cash and Cash Equivalents**

Meter Deposit Fund	2,367,551
Revenue Bond Sinking Fund	520,193
Bond Reserve Fund	2,120,242
Depreciation and Contingencies Fund	2,865,112
Construction 2012 Fund	14,867,669
	<hr/>
Total restricted cash and cash equivalents	22,740,767

#### **Capital Assets**

Non-depreciable	4,272,507
Depreciable, net	78,088,994
	<hr/>
Total capital assets	82,361,501

Total assets 116,780,721

#### **Deferred Outflows of Resources**

114,887

Total assets and deferred outflows of resources \$ 116,895,608

**LIABILITIES AND DEFERRED INFLOWS OF RESOURCES****Current**

## Payable from current assets:

Accounts payable and accrued expenses	\$ 617,631
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## Payable from restricted assets:

Accrued interest on bonds	168,418
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## Revenue bonds:

Bonds payable	441,000
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Unamortized bond premium	116,154
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Meter deposits	<u>2,367,551</u>
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Total current liabilities payable from restricted assets	<u>3,093,123</u>
--	------------------

Total current liabilities	<u>3,710,754</u>
---------------------------	------------------

**Long-term**

## Revenue bonds:

Bonds payable	26,063,000
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Unamortized bond premium	<u>1,214,384</u>
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Total revenue bonds	27,277,384
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Other postemployment benefit obligation	<u>2,135,688</u>
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Total long term liabilities	<u>29,413,072</u>
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Total liabilities	33,123,826
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**Deferred Inflows of Resources**

	<u>99,902</u>
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Total liabilities and deferred inflows of resources	<u>33,223,728</u>
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**NET POSITION****Net Position**

Investment in capital assets	69,394,632
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## Restricted for:

Debt service	3,753,610
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Renewal and replacement	2,781,365
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Unrestricted	<u>7,742,273</u>
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Net position	<u>83,671,880</u>
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Total liabilities, deferred inflows of resources and net position	<u>\$ 116,895,608</u>
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**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
NET POSITION**

**Consolidated Waterworks District No. 1 of the Parish of Terrebonne,  
State of Louisiana**

For the year ended June 30, 2014

**OPERATING REVENUES**

Revenues from water sales and services	\$ 15,903,774
Other operating revenues	<u>1,871,672</u>
Total operating revenues	<u>17,775,446</u>

**OPERATING EXPENSES**

Personal services	5,208,068
Supplies and materials	1,837,400
Other services and charges	3,760,330
Depreciation and amortization	<u>3,812,072</u>
Total operating expenses	<u>14,617,870</u>
Operating income	<u>3,157,576</u>

**NON-OPERATING REVENUES (EXPENSES)**

Investment income	21,236
Intergovernmental	173,768
Amortization of bond premium	113,987
Bond interest	(1,193,813)
Bond issuance costs	(72,084)
Loss on disposal of assets	<u>(4,679)</u>
Total non-operating revenues	<u>(961,585)</u>

Change in net position before capital contributions 2,195,991

**CAPITAL CONTRIBUTIONS**

Change in net position 1,109,797  
3,305,788

**NET POSITION**

Beginning of year, as previously stated	<u>80,366,092</u>
End of year	<u>\$ 83,671,880</u>

See notes to financial statements.



**STATEMENT OF CASH FLOWS****Consolidated Waterworks District No. 1 of the Parish of Terrebonne,  
State of Louisiana**

For the year ended June 30, 2014

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from customers	\$ 16,662,052
Cash payments to suppliers for goods and services	(4,112,510)
Cash payments to employees for services and benefits	(4,888,841)
Net cash provided by operating activities	<u>7,660,701</u>

**CASH FLOWS FROM CAPITAL AND RELATED  
FINANCING ACTIVITIES**

Acquisition and construction of capital assets	(4,406,721)
Intergovernmental capital project grants	173,768
Payments for refunding of bonds	(562,761)
Principal paid on outstanding debt	(1,429,000)
Interest paid on outstanding debt	(1,221,219)
Net cash used by capital and related financing activities	<u>(7,445,933)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest received	<u>23,272</u>
Net increase in cash and cash equivalents	238,040

**CASH AND CASH EQUIVALENTS**

Beginning of year	<u>30,873,222</u>
End of year	<u>\$ 31,111,262</u>

**CLASSIFIED AS**

Current assets	\$ 8,370,495
Restricted assets	<u>22,740,767</u>
Total cash and cash equivalents	<u>\$ 31,111,262</u>

**Exhibit C**  
**(Continued)**

**RECONCILIATION OF OPERATING INCOME TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES**

Operating income	<u>\$ 3,157,576</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	3,812,072
Bad debts	123,636
Other post employment benefit obligations	308,278
(Increase) decrease in assets:	
Accounts receivable	19,652
Inventory of material and supplies	25,938
Prepaid insurance	6,289
Increase in liabilities:	
Accounts payable and accrued expenses	145,822
Meter deposits	<u>61,438</u>
 Total adjustments	 <u>4,503,125</u>
 Net cash provided by operating activities	 <u>\$ 7,660,701</u>

**NON CASH OPERATING, CAPITAL AND RELATED FINANCING  
ACTIVITIES AND INVESTING:**

Amortization of bond premium and deferred outflows and inflows of resources was \$217,056  
Capital assets received in noncash capital contributions was \$1,109,797

See notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**

**Consolidated Waterworks District No. 1 of the Parish of Terrebonne,  
State of Louisiana**

June 30, 2014

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements conform to accounting principles generally accepted in the United States of America for local governmental units as prescribed by the Governmental Accounting Standards Board (GASB). The more significant of the District's accounting policies are described below:

**a) Reporting Entity**

Following Louisiana legislation passed in the 1992 session, the Terrebonne Parish Consolidated Government passed an ordinance creating the Consolidated Waterworks District No. 1 of the Parish of Terrebonne (the District) for the purpose of providing water services to the citizens of Terrebonne Parish. On July 1, 1994 Waterworks District Nos. 1, 2, 3 of Terrebonne Parish and the City of Houma water system transferred cash, investments and other net assets to the District.

GASB Statement No. 14, *The Financial Reporting Entity*, GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14* and GASB Statement No. 61, *The Financial Reporting Entity: omnibus and amendment of GASB Statement No. 14 and No. 34*, established the criterion for determining which component units should be considered part of the District for financial reporting purposes. The basic criteria are as follows:

1. Legal status of the potential component unit including the right to incur its own debt, levy its own taxes and charges, expropriate property in its own name, sue and be sued, and the right to buy, sell and lease property in its own name.
2. Whether the governing authority appoints a majority of the board members of the potential component unit.
3. Fiscal interdependency between the District and the potential component unit.
4. Imposition of will by the District on the potential component unit.
5. Financial benefit/burden relationship between the District and the potential component unit.

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**a) Reporting Entity (continued)**

The District has reviewed all of its activities and determined there are no potential component units which should be included in its financial statements.

It has been determined based upon the above criteria that the District is a component unit of the Terrebonne Parish Consolidated Government and will be included in its comprehensive financial report for the year ending December 31, 2014.

**b) Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The basic financial statements provide information about the District's business activities. The financial statements for business-type activities are also often referred to as enterprise fund financial statements.

"Measurement Focus" is an accounting term used to describe *which* transactions and types of balances are recorded within the various financial statements. The expression, "Basis of Accounting", refers to when transactions or events are recorded regardless of the measurement focus applied.

The District utilizes a single stand-alone enterprise fund for its business-type activities. The Fund is used to account for water intake, purification, distribution and sales activities, and the related administrative functions.

Because of the "businesslike" characteristics of operations, the accompanying financial statements report using the *economic resources measurement focus* and the *accrual basis of accounting*. The accounting objectives of the "economic resources" measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Under full accrual accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

In governmental accounting, the enterprise fund is used to account for operations that are financed and operated in a manner similar to private business or where the Board of Commissioners has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**b) Measurement Focus, Basis of Accounting and Financial Statement Presentation  
(continued)**

As the means for delivering services to its customers, the District utilizes water production plants and water distribution systems. To provide the resources that are necessary to pay for these utility services and the related support functions, the District charges its customers monthly user fees which are based on the specific level of services that they are receiving. Because the operations of the District closely mirror those of a typical, commercial company, its accounting records reflect a similar approach for measuring its business activity.

The District's various bond indentures require the establishment of certain accounts which are referred to as "funds". These required accounts are maintained as part of the accounting records of the District. They include the Revenue Bond Sinking Fund, Bond Reserve Fund, and Depreciation and Contingencies Fund. These are not "funds" as the term is used in generally accepted accounting principles, but are separate "accounts" used to delineate the accounting and reporting for bond-related money and repayment security requirements.

The balances and activity that occur in these various accounts represent specific segments of the District as reported in the District's basic financial statements. Additional compliance information about these accounts is presented in Note 6 and a separate supplemental schedule that follow the basic financial statements.

The enterprise fund used by the District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues are charges to customers for sales and services that are provided to them. The District also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water system. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**c) Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**d) Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, the District considers cash and cash equivalents to include amounts in checking accounts and investments in certificates of deposits with maturities of six months or less when purchased and the Louisiana Asset Management Pool (LAMP).

LAMP is an external pool which is operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met.

**e) Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Balances are considered past due 30 days from the invoice date. Management provides an allowance for probable uncollectible amounts based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance and a credit to accounts receivable.

**f) Inventory of Material and Supplies**

Inventory of materials and supplies are valued at average cost.

**g) Restricted Assets**

Specific assets are required to be segregated as to use and are therefore identified as restricted assets. Certain assets are restricted pursuant to restrictions arising from various bond indenture agreements. (See Note 6)

**h) Capital Assets**

Capital assets purchased or acquired with an original cost of \$1,000 or more are valued at historical costs or estimated cost if purchased or constructed. Donated capital assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add value to the asset or materially extend its useful life are not capitalized. Major outlays for capital assets and improvements are capitalized at completion of construction projects. The District also capitalizes a portion of interest expense as part of the historical cost of constructing expansions to the system.

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**h) Capital Assets (continued)**

Depreciation of all capital assets, excluding land, is calculated over the estimated useful lives using the straight-line method as follows:

<u>Type of Capital Asset</u>	<u>Depreciation Rate</u>
Water plant	2%
Water plant – filters	20%
Distribution system	2% - 4%
Distribution system – tank painting and improvements	33%
Administrative building	5%
Plant equipment	10%
Furniture and equipment	10%
Automobiles and trucks	20%

**i) Capitalization of Interest**

The District capitalizes interest costs net of related interest earned, for the date of the borrowing until the projects acquired with those funds are ready for their intended use. During 2014, approximately \$43,395 of interest costs, without offset for interest earned, were capitalized as part of the costs of construction various projects. Total interest costs incurred and interest earned in fiscal year 2014 amounted to \$1,181,129 and \$21,236 respectively.

**j) Long-Term Debt**

Long-term debt and other obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond payable balances are reported net of applicable bond premium and discount.

**k) Accumulated Unpaid Vacation and Sick Leave**

The District accrues benefits in the period earned. Full-time employees of the District shall be entitled to vacation with pay and shall accrue vacation time in the following manner:

After first year	Five days (40 hours)
After second year through tenth year	Ten days (80 hours)
Eleven years or more	Fifteen days (120 hours)

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**k) Accumulated Unpaid Vacation and Sick Leave (continued)**

Employees may not accumulate and carry forward vacation time beyond the year earned, which is January 1 through December 15. Accumulated vacation leave is due to the employee at the time of termination of employment. Although sick leave accumulates and is available for employees when needed, it does not vest nor is it payable at termination of employment.

**l) Deferred Outflows and Inflows of Resources**

Deferred outflows and inflows of resources consists of losses and gains on bond refunding and result from differences between the reacquisition price and the net carrying amount of the old debt. Deferred outflows and inflows of resources are being amortized by the interest method over the shorter of the remaining life of old debt or the term of the new debt.

**m) Contracts Payable**

Liability for work performed on contracts is recognized as the work is incurred.

**n) Revenues and Expenses**

Operating revenue and expenses consists of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

When an expense is incurred for purposes for which there are both restricted and unrestricted net assets available, it is the District's policy to apply those expenses to restricted assets to the extent such are available and then to unrestricted net position.

**o) Net Position**

Net position comprised the various net earnings from operating income, nonoperating revenues, expenses and capital contributions. Net position is classified into the following three components:

- Investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets.



**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**o) Net Position (continued)**

- **Restricted** -This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - This component of net assets consists of net position that do not meet the definition of "restricted" or "invested in capital assets."

**p) New GASB Statements**

During the year ending June 30, 2014, the District implemented the following GASB Statements:

Statement No. 66, "*Technical Corrections – 2012.*" The statement enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. This statement did not affect the District's financial statements.

Statement No. 67, "*Financial Reporting for Pension Plans.*" The statement improves the usefulness of pension information included in the general purpose external financial reports of state and local governmental pension plans for making decisions and assessing accountability. This statement did not affect the District's financial statements.

Statement No. 70, "*Accounting and Financial Reporting for Nonexchange Financial Guarantees.*" The objective of this Statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions. This statement did not affect the District's financial statements.

The GASB has issued the following Statements which will become effective in future years as shown below:

Statement No. 68, "*Accounting and Financial Reporting for Pensions.*" The statement improves financial reporting by state and local governmental pension plans and also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The statement will be effective for periods beginning after June 15, 2014. Management has not yet determined the effect of this statement on the financial statements.

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**p) New GASB Statements (continued)**

Statement No. 69, "*Government Combinations and Disposals of Government Operations*." The objective of this statement is to improve financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. This statement will not affect the District's financial statements.

Statement No. 71, "*Pension Transition for Contributions made Subsequent to the Measurement Date*." The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68. The statement will be applied simultaneously with Statement No. 68. Management has not yet determined the effect of this statement on the financial statements.

**Note 2 - BUDGET**

The Board is required by revenue bond resolutions to adopt a line item budget for the District within thirty days of the end of its fiscal year for the following year. The Board adopted a line item budget for the year ended June 30, 2014. The budget was amended twice during the year. All revisions to the budget must be approved by the Board. The budget lapses at year-end.

**Note 3 - DEPOSITS AND INVESTMENTS**

Louisiana state law allows all political subdivisions to invest excess funds in obligations of the United States or other federally insured investments, certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana, guaranteed investments contracts and investment grade (A-1/P-1) commercial paper of domestic corporations.

**Bank Deposits:**

State Law requires deposits (cash and certificates of deposits) of all political subdivisions be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed as security for deposits. Obligations furnished as security must be held by the political subdivision or with an unaffiliated bank or with a trust company for the account of the political subdivision.

**Note 3 - DEPOSITS AND INVESTMENTS (Continued)**

The year end balances of deposits are as follows:

	<u>Bank Balances</u>	<u>Reported Amount</u>
Cash	\$ 20,845,616	\$ 20,172,962
Certificates of deposit	<u>3,215,000</u>	<u>3,215,000</u>
Totals	<u>\$ 24,060,616</u>	<u>\$ 23,387,962</u>

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has a written policy for custodial credit risk. As of June 30, 2014, \$22,110,339 of the District's bank balance of \$24,060,616 was exposed to credit risk. These deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent and are deemed to be held in the District's name by state statutes.

At June 30, 2014, cash and certificates of deposits were adequately collateralized in accordance with state law by securities held by unaffiliated banks for the account of the District. The Governmental Accounting Standards Board (GASB), which promulgates the standards for accounting and financial reporting for state and local governments, considers these securities subject to custodial credit risk. Even though the deposits are considered subject to custodial credit risk under the provisions of GASB Statement No. 40, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the depositor that the fiscal agent has failed to pay deposited funds upon demand.

**Investments:**

State statutes authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities; guaranteed investment contracts and investment grade (A-1/P-1) commercial paper of domestic corporations; repurchase agreements; and the Louisiana Asset Management Pool (LAMP).

As a means of limiting its exposure to fair value losses arising from interest rates, the District's investment policy limits investments to securities with less than six months from the date of purchase unless the investment is matched to a specific cash flow. Due to this policy we are showing all investments with maturity dates less than six months from the date of purchase as cash and cash equivalents.

**Note 3 - DEPOSITS AND INVESTMENTS (Continued)**

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policy requires the application of the prudent-person rule. The policy states, *investments shall be made with the judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. Primary emphasis shall be placed upon the safety of such funds in an effort to minimize risk while earning maximum returns.* The District's investment policy limits investments to those discussed earlier in this note. LAMP has a Standard & Poor's Rating of AAAm.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in external investment pools are not exposed to custodial credit risk because of their natural diversification and the diversification required by the Securities and Exchange Commission.

LAMP, a local government investment pool, is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. While LAMP is not required to be a registered investment company under the Investment Company Act of 1940, its investment policies are similar to those established by Rule 2a7, which governs registered money market funds. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed or backed by the U.S. Treasury, the U.S. Government or one of its agencies, enterprises or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. The fair value of investments is determined on a weekly basis to monitor any variances between amortized cost and fair value. For purposes of determining participants' shares, investments are valued at amortized cost. The fair value of participant's position is the same as the value of the pool shares. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. Investments in LAMP at June 30, 2014 amounted to \$7,723,000 and are classified on the Statement of Net Assets as "Cash and Cash Equivalents".

**Note 3 - DEPOSITS AND INVESTMENTS (Continued)**

A reconciliation of deposits and investments as shown on the Statement of Net Assets is as follows:

Cash on hand	\$ 300
Reported amount of deposits	23,387,962
Reported amount of investments	<u>7,723,000</u>
Total	<u>\$ 31,111,262</u>
Classified as:	
Current assets	\$ 8,370,495
Restricted assets	<u>22,740,767</u>
Total	<u>\$ 31,111,262</u>

**Exhibit D**  
**(Continued)**

**Note 4 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance July 1, 2013	Additions	Adjustments	Deletions	Balance June 30, 2014
Capital assets not being depreciated:					
Land	\$ 581,471	\$ -	\$ -	\$ -	\$ 581,471
Construction in progress	2,690,691	2,520,980	(1,520,635)	-	3,691,036
Total capital assets not being depreciated	3,272,162	2,520,980	(1,520,635)	-	4,272,507
Capital assets being depreciated:					
Water plant	39,538,533	1,159,980	-	-	40,698,513
Water plant - water filters	-	193,380	862,854	(216,720)	839,514
Distribution system	93,387,220	2,379,142	-	-	95,766,362
Distribution system - tank painting and improvements	-	12,127	2,668,736	(627,073)	2,053,790
Administrative building	1,490,658	532,294	-	-	2,022,952
Plant equipment	620,442	91,047	-	(10,357)	701,132
Furniture and equipment	678,730	165,269	-	(61,858)	782,141
Automobiles and trucks	825,672	-	-	(1,049)	824,623
Total capital assets being depreciated	136,541,255	4,533,239	3,531,590	(917,057)	143,689,027
Less accumulated depreciation for:					
Water plant	(16,989,039)	(880,656)	-	-	(17,869,695)
Water plant - water filters	-	(279,395)	(231,315)	216,720	(293,990)
Distribution system	(41,181,280)	(2,011,702)	-	-	(43,192,982)
Distribution system - tank painting and improvements	-	(511,339)	(1,339,822)	627,073	(1,224,088)
Administrative building	(1,180,303)	(24,919)	-	-	(1,205,222)
Plant equipment	(550,327)	(20,706)	-	10,357	(560,676)
Furniture and equipment	(541,903)	(29,642)	-	57,179	(514,366)
Automobiles and trucks	(686,351)	(53,713)	-	1,049	(739,015)
Total accumulated depreciation	(61,129,203)	(3,812,072)	(1,571,137)	912,378	(65,600,034)
Total capital assets being depreciated, net	75,412,052	721,168	1,960,453	(4,679)	78,088,994
Total capital assets, net	\$ 78,684,214	\$ 3,242,148	\$ 439,818	\$ (4,679)	\$ 82,361,501

Additions to the distribution system include the costs of newly completed waterlines donated to the District by developers. The donated waterlines amount to \$1,109,797 for the year ended June 30, 2014.

**Adjustments**

Reported as adjustments of \$1,520,635 are the completion and reclassification of capital projects to their functional asset groupings, which had been previously accounted for as construction in progress. In addition management has chosen to report \$631,539 of water filters and \$1,328,914 of water tank painting and improvement projects, net accumulated depreciation of \$231,315 and \$1,339,822, respectively, as plant and distribution system assets because management believes these assets meet the definition of capital assets as opposed to prepaid maintenance as previously reported.

**Note 4 - CAPITAL ASSETS (Continued)**

The District has active construction projects as of June 30, 2014. The District also has construction projects in the engineering and planning phases as of June 30, 2014. At year end, the District's commitments with contractors are as follows:

<u>Project</u>	<u>Incurred to Date</u>	<u>Remaining Commitment</u>
LCDBG Houma Valve Replacement	438,181	106,569
LA HWY 57 Waterline Relocation	1,452,343	107,474
 Total Commitments	 <u>\$ 1,890,524</u>	 <u>\$ 214,043</u>

Subsequent to year end, the District entered into contracts for water tank painting and repair and clarifier repairs totaling \$706,879.

**Note 5 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

Accounts payable and accrued expenses at June 30, 2014 consisted of the following:

Vendors	\$ 378,159
Salaries and benefits	<u>239,472</u>
 Total	 <u>\$ 617,631</u>

**Note 6 - REVENUE BONDS**

Revenue Bonds as of June 30, 2014 consists of the following:

Revenue Refund Bonds, Series 2014 payable in the amount of \$5,995,000, issued May 6, 2014, with a premium of \$195,243 and a yield of 2.92%, to refund \$6,610,000 of outstanding Water Revenue Refunding Bonds, Series 2003A and are scheduled to mature November 1, 2023. \$ 5,995,000

Revenue Bonds, Series 2012A payable in the amount of \$17,300,000, issued October 30, 2012 with a premium of \$1,240,525 for the purpose of constructing and acquiring improvements and extensions to the District's waterworks system, with a yield of 4.64 %, and final maturity November 1, 2037. 17,300,000

Revenue Refund Bonds, Series 2012B payable in the amount of \$1,890,000, issued October 30, 2012, with a premium of \$67,335 and a yield of 2.83%, to refund \$4,125,000 of outstanding Water Revenue Refunding Bonds, Series 2009 and are scheduled to mature November 1, 2017. 1,540,000

Water Revenue Bonds, Series 2010 payable in the amount of \$1,900,000, issued December 29, 2010, with a yield of 2.95% (Plus a 5% annual administrative fee) for the purpose of constructing and acquiring improvements and extensions to the District's waterworks system. The bonds were purchased by the Louisiana Department of Health and Hospitals and are scheduled to mature November 1, 2030. 1,669,000

Total \$ 26,504,000



**Note 6 - REVENUE BONDS (Continued)**

The following is a summary of bond transactions of the District for the year ended June 30, 2014:

	Water Revenue Bonds
Bonds payable at July 1, 2013	\$ 28,548,000
Bonds issued	5,995,000
Bonds retired	<u>(8,039,000)</u>
Bonds payable at June 30, 2014	26,504,000
Plus:	
Unamortized bond premium	<u>1,330,538</u>
Net bonds payable at June 30, 2014	<u>\$ 27,834,538</u>
Classified as:	
Long-term	\$ 27,277,384
Current	<u>557,154</u>
Total	<u>\$ 27,834,538</u>

The annual requirements to amortize debt outstanding for the Water Revenue Bonds, Series 2010 Bonds as of June 30, 2014, are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	441,000	1,016,227	1,457,227
2016	947,000	999,209	1,946,209
2017	974,000	970,021	1,944,021
2018	1,012,000	939,846	1,951,846
2019	1,549,000	905,685	2,454,685
2020-2024	8,486,000	3,753,167	12,239,167
2025-2029	4,052,000	2,691,693	6,743,693
2030-2034	4,648,000	1,679,965	6,327,965
2034-2038	<u>4,395,000</u>	<u>452,875</u>	<u>4,847,875</u>
Total	<u>\$ 26,504,000</u>	<u>\$ 13,408,688</u>	<u>\$ 39,912,688</u>

Under the terms of the bond indentures for outstanding Water Revenue Bonds, principal and interest is secured and payable solely from a pledge of the income and revenues to be derived from the operations of the District. All revenues must be deposited in the District and required transfers made to the following accounts (funds) on a monthly basis after the payment of operating expenses:

**Note 6 - REVENUE BONDS (Continued)**

**a) Revenue Bond Sinking Fund**

Monthly transfers are required to this Fund in an amount necessary to make the principal and interest payments as they become due. The Fund is restricted for this purpose.

**b) Bond Reserve Fund**

The Reserve Fund is required to be funded in an amount equal to the lesser of (i) 10% of the proceeds of the bonds, (ii) the highest combined principal and interest requirements for any succeeding year or (iii) 125% of the average aggregate amount of principal and interest becoming due.

Monies in the amount of \$2,120,242 have been deposited into this fund. This amount is equal to 125% of the average aggregate amount of principal and interest becoming due in any future year on the District's outstanding water revenue bonds. The Fund is restricted to the payment of principal and interest in case of default.

**c) Depreciation and Contingencies Fund**

Monthly transfers of 5% of gross revenues of the District for the preceding month are required. The Fund is restricted to payments for extensions, additions, improvements, renewals and replacements necessary to properly operate the District. It will also be used to pay principal and interest if there are not sufficient funds in the Revenue Bond Sinking Fund and Bond Reserve Fund.

**d) Bond Requirements**

The accounting requirements of the bond resolution for Water Revenue Bonds, as stated in a) through c) above, have been complied with for the year ended June 30, 2014.

**e) Refunding of Bonds**

On May 6 2014, the District issued \$5,995,000 of Water Revenue Bonds, Series 2014 with a yield of 2.92 percent to refund \$6,610,000 of outstanding Water Revenue Refunding Bonds, Series 2003A with an average rate of 5.25 percent. The net proceeds of \$6,190,242 plus \$562,041 of prior debt service funds and \$721 from the District were used as follows: \$6,610,000 paid out all outstanding Series 2003A Water Revenue Refunding Bonds at May 6 2014, \$4,820 paid accrued interest, \$66,100 paid redemption premium and \$72,084 paid issuance costs.

**Note 6 - REVENUE BONDS (Continued)**

**e) Refunding of Bonds (continued)**

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$107,121. This difference, reported in the accompanying financial statements as a deferred inflow of resources, is being charged to bond interest through the year 2023 using the effective-interest method. The refunding was undertaken to obtain lower interest rates. The District refunded the bonds for a net savings of approximately \$1,285,000 and an economic gain (difference between the present values of the old and new debt service payments) of approximately \$1,034,000.

**Note 7 - POSTEMPLOYMENT HEALTHCARE BENEFITS**

**Plan Description**

The District administers a single employer defined benefit healthcare plan (the Plan). The Plan provides for the payment of medical, dental, long-term care, life insurance and medicare supplement premiums for eligible employees, retirees and their dependants as allowed by policy set by the Board of Commissioners. The District funds 85% premium for all benefits on all employees and retirees with at least twenty years of service upon retiring from the Parochial Employees' Retirement System, see Note 8. The District does not issue a publicly available financial report on the Plan.

**Funding Policy**

The District fully funds required premiums based on pay-as-you-go financing requirements. For fiscal year 2014 the District paid \$135,605 for the retirees' current year premiums.

**Annual OPEB Cost and Net OPEB Obligation**

The District's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District's annual OPEB cost for the current year and the related information for the Plan are on the following page.

**Note 7 - POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)**

Contribution rates:	<u>Actuarially determined</u>
District	85%
Plan Members	15%
Annual required contribution (ARC)	\$ 445,211
Interest on net OPEB obligation	63,959
Adjustment to ARC	<u>(65,287)</u>
Annual OPEB cost	443,883
Contributions made	<u>(154,465)</u>
Increase in net OPEB obligation	289,418
Net OPEB obligation beginning of year	<u>1,827,409</u>
Net OPEB obligation end of year	<u><u>\$ 2,116,827</u></u>

The District's annual OPEB cost, the percentage of annual OPEB premiums paid, and the net OPEB obligation as of June 30, 2014, 2013, and 2012 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Paid	Net OPEB Obligation
6/30/2012	\$ 359,725	32.29%	\$ 1,598,892
6/30/2013	359,725	36.47%	1,827,410
6/30/2014	443,883	34.80%	2,116,827

**Funded Status and Funding Progress**

As of July 1, 2013, the most recent actuarial valuation date, the unfunded actuarial accrued liability (UAAL) was \$7,346,977. Covered payroll for eligible employees was \$3,094,675 and the total UAAL represents 237.4% of covered payroll.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**Actuarial Methods and Assumptions**

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and eligible employees and retirees) and include the types of benefits provided at the time of each valuation and on the historical pattern of sharing benefit costs between the employer and eligible employees and retirees to that point. The actuarial calculations reflect a long-term perspective.

**Note 7 - POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)**

In the July 1, 2013, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 3.5% discount rate on pay and an annual medical cost trend rate of 5 % initially, fluctuating by increments of .5% to an ultimate rate of 5 % after ten years. The annual medicare supplemental cost trend was 5% through all years in effect and the dental cost trend was 3% through all years in effect. Payroll is assumed to increase at a rate of 3% per annum. As of the valuation date, the District only pays required insurance premiums directly from District resources, accordingly there are no plan assets, hence no need for an actuarial value of assets. The UAAL is being amortized as a level percent of payroll over 30 years on an open period basis.

**Note 8 - DEFINED BENEFIT PENSION PLAN**

**Plan Description** - The District contributes to Plan B of the Parochial Employees' Retirement System of Louisiana (the System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS), which is controlled and administered by a separate Board of Trustees. The System provides retirement, deferred and disability benefits, survivor's benefits and cost of living adjustments to plan members and beneficiaries. Act 205 of the 1952 Louisiana Legislative Session established the plan. The System is governed by Louisiana Revised Statutes 11:1901 through 11:2015, specifically, and other general laws of the State of Louisiana. The System issued a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Parochial Employees' Retirement System of Louisiana, P.O. Box 14619, Baton Rouge, Louisiana 70898.

**Funding Policy** - Plan members were required to contribute 3.00% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The District's contribution rate was 10% for the year ended June 30, 2014. In addition, the System also receives a percentage of tax revenues from various taxing bodies. The contribution requirements of plan members and the District are established and may be amended by state statute. The District's contributions to the System for the years ended June 30, 2014, 2013, and 2012 were \$316,976, \$326,844, and \$308,930 respectively, equal to the required contributions for each year.

**Note 9 - LITIGATION**

The District is involved in disputes in the normal course of business. Management believes the resolution of these matters will not have a material effect on the District's financial position or the results of operations. Accordingly, no obligations for claims or litigation have been recognized in the financial statements.

**Note 10 - BOARD MEMBERSHIP AND COMPENSATION OF BOARD COMMISSIONERS**

Included in administrative expenses is the per diem payments and mileage reimbursement to members of the Board of Commissioners. In accordance with the State of Louisiana Statutes commissioners receive \$60 per meeting attended, limited to 24 regularly scheduled meetings and 12 special meetings each year.

Board members	Number of Meetings Attended	Payments for		Total Amount
		Meetings Attended	Mileage	
Al Badeaux, Jr.	23	\$ 1,380	\$ 103	\$ 1,483
Ray Boudreaux, Jr.	14	840	30	870
Vincent Celestin	26	1,560	202	1,762
Gregory Hood, Jr.	25	1,500	162	1,662
Stephen Hornsby	28	1,680	213	1,893
David Mosely	25	1,500	378	1,878
Kenneth Pitre	24	1,440	388	1,828
John Pizzolatto	3	180	10	190
Clifton Stoufflet	25	1,500	59	1,559
Chester Voisin	26	1,560	619	2,179
Totals		<u>\$ 13,140</u>	<u>\$ 2,164</u>	<u>\$ 15,304</u>

**Note 11 - CONCENTRATIONS**

In May 2013, voters in Terrebonne Parish approved a 2.11 mill parish-wide ad valorem tax dedicated to the Bayou Lafourche Freshwater District. The tax, which was assessed November 1, 2013, provides for voting membership by representatives of Terrebonne Parish on the Bayou Lafourche Freshwater District Board. The District purchases its raw water supply from the Bayou Lafourche Freshwater District. The cost of raw water to the District is based upon the amount of water drawn from Bayou Lafourche and has been established \$.03 per 1,000 gallons. For the year ended June 30, 2014, the District recognized \$131,398 as raw water expenses for purchases from the Bayou Lafourche Freshwater District.

**Note 12 - SUBSEQUENT EVENTS**

Management evaluates events occurring subsequent to the date of financial statements in determining the accounting for and disclosure of transactions and events that effect the financial statements. Subsequent events have been evaluated through October 27, 2014 which is the date the financial statements were available to be issued.

## **REQUIRED SUPPLEMENTARY INFORMATION SECTION**



**SCHEDULE OF FUNDING PROGRESS FOR THE OPEB PLAN**

**Consolidated Waterworks District No. 1 of the Parish of Terrebonne,  
State of Louisiana**

June 30, 2014

Actuarial Valuation Date	Actuarial Value of Actuarial Accrued Unfunded AAL			Funded Ratio	Covered payroll	UAAL as a
	Assets	Liability (AAL)	(UAAL)			Percentage of
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
7/1/2009	-	5,292,167	5,292,167	0.00%	2,901,350	182.4%
7/1/2011	-	6,862,428	6,862,428	0.00%	2,881,424	238.2%
7/1/2013	-	7,346,977	7,346,977	0.00%	3,094,675	237.4%

## **SUPPLEMENTARY INFORMATION SECTION**

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN  
NET POSITION (BUDGET AND ACTUAL)**

**Consolidated Waterworks District No. 1 of the Parish of Terrebonne,  
State of Louisiana**

For the year ended June 30, 2014

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>OPERATING REVENUES</b>				
Revenues from water sales and services	\$ 15,481,600	\$ 15,828,380	\$ 15,903,774	\$ 75,394
Other operating revenues	1,707,120	1,735,120	1,871,672	136,552
Total operating revenues	<u>17,188,720</u>	<u>17,563,500</u>	<u>17,775,446</u>	<u>211,946</u>
<b>OPERATING EXPENSES</b>				
Personal services	5,700,776	5,371,076	5,208,068	163,008
Supplies and materials	1,813,250	1,858,700	1,837,400	21,300
Other services and charges	3,751,720	3,797,900	3,760,330	37,570
Depreciation and amortization	3,812,072	3,812,072	3,812,072	-
Total operating expenses	<u>15,077,818</u>	<u>14,839,748</u>	<u>14,617,870</u>	<u>221,878</u>
Operating income	<u>2,110,902</u>	<u>2,723,752</u>	<u>3,157,576</u>	<u>433,824</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Investment income	12,000	7,000	21,236	14,236
Intergovernmental	173,768	173,768	173,768	-
Amortization of bond premium and discount, net	113,987	113,987	113,987	-
Bond interest	(1,193,813)	(1,193,813)	(1,193,813)	-
Bond issuance costs	(72,084)	(72,084)	(72,084)	-
Loss on disposal of assets	(4,679)	(4,679)	(4,679)	-
Total non-operating revenues (expenses)	<u>(970,821)</u>	<u>(975,821)</u>	<u>(961,585)</u>	<u>14,236</u>
Change in net assets before capital contributions	1,140,081	1,747,931	2,195,991	448,060
<b>CAPITAL CONTRIBUTIONS</b>	<u>1,109,797</u>	<u>1,109,797</u>	<u>1,109,797</u>	<u>-</u>
Change in net position	<u>\$ 2,249,878</u>	<u>\$ 2,857,728</u>	<u>3,305,788</u>	<u>\$ 448,060</u>
<b>NET POSITION</b>				
Beginning of year			<u>80,366,092</u>	
End of year			<u>\$ 83,671,880</u>	

**SCHEDULE OF OPERATING REVENUES (BUDGET AND ACTUAL)****Consolidated Waterworks District No. 1 of the Parish of Terrebonne,  
State of Louisiana**

For the year ended June 30, 2014

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUE FROM WATER SALES AND SERVICE CHARGES</b>				
Customers	\$ 15,000,000	\$ 15,300,000	\$ 15,365,367	\$ 65,367
Parish of Lafourche	40,000	35,000	35,029	29
Service connection fees	243,600	263,380	268,420	5,040
Meter installation fees	128,000	142,000	145,296	3,296
Penalties - reconnections	70,000	88,000	89,662	1,662
<b>Total revenue from water sales and services</b>	<b>15,481,600</b>	<b>15,828,380</b>	<b>15,903,774</b>	<b>75,394</b>
<b>OTHER OPERATING REVENUES</b>				
Service agreements:				
Sewerage Districts	205,000	220,000	215,706	(4,294)
Garbage Collections	125,000	125,000	130,378	5,378
LA Act 125	12,000	13,500	13,511	11
Miscellaneous:				
Intergovernmental	1,318,120	1,318,120	1,318,120	-
Other	47,000	58,500	193,957	135,457
<b>Total other operating revenues</b>	<b>1,707,120</b>	<b>1,735,120</b>	<b>1,871,672</b>	<b>136,552</b>
<b>Total operating revenues</b>	<b>\$ 17,188,720</b>	<b>\$ 17,563,500</b>	<b>\$ 17,775,446</b>	<b>\$ 211,946</b>

**SCHEDULE OF DEPARTMENTAL EXPENSES (BUDGET AND ACTUAL)****Consolidated Waterworks District No. 1 of the Parish of Terrebonne,  
State of Louisiana**

For the year ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>ADMINISTRATIVE</b>				
Personal services:				
Salaries	\$ 303,000	\$ 312,000	\$ 315,796	\$ (3,796)
Other postemployment benefit costs	28,897	28,897	1,363	27,534
Employee group insurance	81,000	73,000	68,231	4,769
Payroll taxes	31,500	31,500	30,647	853
Retirement fund	30,300	30,300	29,488	812
Total personal services	474,697	475,697	445,525	30,172
Supplies and materials:				
Office supplies and expense	35,000	35,000	32,160	2,840
Gasoline and oil	1,000	1,200	1,269	(69)
Total supplies and materials	36,000	36,200	33,429	2,771
Other services and charges:				
Accounting and consulting	45,000	45,000	44,795	205
Attorney	135,000	135,000	86,676	48,324
Board meetings	17,000	17,000	15,304	1,696
Bond agent fees	3,300	3,300	2,937	363
Consulting engineer	30,000	22,000	19,967	2,033
Consulting risk manager	6,000	-	-	-
Insurance and bonds	32,500	32,500	31,503	997
Janitorial services	20,000	20,000	21,784	(1,784)
Publish proceedings	5,000	5,000	2,931	2,069
Radio communications	6,500	10,000	9,278	722
Repairs and maintenance:				
Equipment and building repairs	25,000	52,000	51,285	715
Truck and auto repairs	1,000	1,000	906	94
Seminars and schools	15,000	20,000	18,103	1,897
Utilities - office	24,000	24,000	24,194	(194)
Total other services and charges	365,300	386,800	329,663	57,137
Total administrative	875,997	898,697	808,617	90,080
<b>BILLING AND COLLECTIONS</b>				
Personal services:				
Salaries	322,500	308,500	311,868	(3,368)
Other postemployment benefit costs	34,007	34,007	18,560	15,447
Employee group insurance	112,500	97,500	93,627	3,873
Payroll taxes	31,800	31,800	28,635	3,165
Retirement fund	32,250	32,250	30,114	2,136
Total personal services	533,057	504,057	482,804	21,253

**Schedule 3  
(Continued)**

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>BILLING AND COLLECTIONS (Continued)</b>				
Supplies and materials:				
Gasoline and oil	1,500	1,500	1,269	231
Office supplies and expense	50,000	70,000	64,885	5,115
Total supplies and materials	51,500	71,500	66,154	5,346
Other services and charges:				
Collection agency	20,000	12,000	16,564	(4,564)
Data processing	178,000	176,000	166,675	9,325
Equipment maintenance/lease	30,000	30,000	27,687	2,313
Insurance and bonds	34,000	34,000	27,306	6,694
Postage	235,000	235,000	234,776	224
Radio Communications	8,500	2,500	1,330	1,170
Repairs and maintenance:				
Truck and auto repairs	500	500	217	283
Seminars and schools	1,000	500	419	81
Telephone	8,000	8,000	6,136	1,864
Total other services and charges	515,000	498,500	481,110	17,390
Total billing and collections	1,099,557	1,074,057	1,030,068	43,989
<b>METER READING</b>				
Personal services:				
Salaries	410,000	392,500	388,114	4,386
Other postemployment benefit costs	50,126	50,126	54,883	(4,757)
Employee group insurance	138,000	132,000	127,521	4,479
Payroll taxes	40,500	40,500	36,844	3,656
Retirement fund	41,000	37,000	36,328	672
Total personal services	679,626	652,126	643,690	8,436
Supplies and materials:				
Gasoline and oil	40,000	40,000	39,350	650
Office supplies and expense	1,500	1,500	681	819
Small tools	6,000	6,000	3,351	2,649
Total supplies and materials	47,500	47,500	43,382	4,118
Other services and charges:				
Insurance and bonds	45,500	48,000	47,878	122
Radio communications	26,700	10,000	9,111	889
Repairs and maintenance:				
Equipment and building repairs	6,000	7,500	6,730	770
Meter parts and repair	1,500	1,500	-	1,500
Truck and auto repairs	12,000	12,000	11,276	724
Seminars and schools	1,000	100	78	22
Uniforms	-	-	51	(51)
Total other services and charges	92,700	79,100	75,124	3,976
Total meter reading	819,826	778,726	762,196	16,530

**Schedule 3  
(Continued)**

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>WAREHOUSE AND METER SHOP</b>				
Personal services:				
Salaries	129,500	115,500	114,151	1,349
Other postemployment benefit costs	22,659	22,659	18,297	4,362
Employee group insurance	36,900	25,900	24,746	1,154
Payroll taxes	12,800	12,800	10,795	2,005
Retirement fund	12,950	10,000	9,573	427
Total personal services	214,809	186,859	177,562	9,297
Supplies and materials:				
Gasoline and oil	1,000	1,750	1,479	271
Office supplies and expenses	1,500	2,000	2,000	-
Small tools	500	500	719	(219)
Warehouse supplies	18,000	18,000	18,513	(513)
Total supplies and materials	21,000	22,250	22,711	(461)
Other services and charges:				
Freight	1,000	500	169	331
Insurance and bonds	11,500	11,500	10,947	553
Repairs and maintenance:				
Equipment and building repairs	8,000	9,000	8,449	551
Meter repair parts	15,000	15,000	13,107	1,893
Seminars and schools	500	-	-	-
Total other services and charges	36,000	36,000	32,672	3,328
Total warehouse and meter shop	271,809	245,109	232,945	12,164
<b>ENGINEERING</b>				
Personal services:				
Salaries	379,500	363,000	354,439	8,561
Other postemployment benefit costs	26,222	26,222	26,998	(776)
Employee group insurance	80,000	64,000	60,204	3,796
Payroll taxes	37,500	36,500	34,088	2,412
Retirement fund	37,950	30,000	28,073	1,927
Total personal services	561,172	519,722	503,802	15,920
Supplies and materials:				
Computer supplies	5,000	5,000	2,091	2,909
Gasoline and oil	9,000	9,000	9,439	(439)
Office supplies and expenses	4,000	4,000	2,353	1,647
Total supplies and materials	18,000	18,000	13,883	4,117
Other services and charges:				
GIS network	19,000	35,000	35,508	(508)
Insurance and bonds	27,000	24,000	22,903	1,097
Radio communications	18,120	14,000	11,601	2,399

**Schedule 3  
(Continued)**

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>ENGINEERING (Continued)</b>				
Other services and charges: (Continued)				
Repairs and maintenance:				
Truck and auto repairs	3,000	3,000	1,423	1,577
Seminars and schools	15,000	7,500	7,004	496
Uniforms	400	400	296	104
Total other services and charges	82,520	83,900	78,735	5,165
Total engineering	661,692	621,622	596,420	25,202
<b>OPERATIONS</b>				
Other services and charges:				
Utilities	165,000	140,000	136,187	3,813
<b>MAINTENANCE AND FIELD CREWS</b>				
Personal services:				
Salaries	904,000	850,000	837,853	12,147
Other postemployment benefit costs	89,713	89,713	80,094	9,619
Employee group insurance	270,000	237,000	233,430	3,570
Payroll taxes	89,250	82,000	78,592	3,408
Retirement fund	90,400	82,000	79,491	2,509
Total personal services	1,443,363	1,340,713	1,309,460	31,253
Supplies and materials:				
Chemicals	25,000	25,000	18,835	6,165
Gasoline and oil	69,000	69,000	69,203	(203)
Office supplies and expenses	4,000	4,000	39,204	(35,204)
Small tools	15,000	15,000	6,747	8,253
Total supplies and materials	113,000	113,000	133,989	(20,989)
Other services and charges:				
Backflow prevention program	50,000	-	-	-
DHH Emergency Rule	-	82,000	92,470	(10,470)
Freight	500	500	485	15
Insurance and bonds	185,000	178,000	176,689	1,311
Radio communications	18,000	24,000	24,689	(689)
Repairs and maintenance:				
Equipment repairs - field	90,000	100,000	101,204	(1,204)
Truck and auto repairs	20,000	26,000	28,759	(2,759)
Watertower maintenance	75,000	75,000	72,379	2,621
Waterline maintenance	750,000	750,000	830,944	(80,944)
Seminars and schools	15,000	10,000	9,453	547
Uniforms	4,000	4,000	4,415	(415)
Total other services and charges	1,207,500	1,249,500	1,341,487	(91,987)
Total maintenance and field crews	2,763,863	2,703,213	2,784,936	(81,723)



**Schedule 3  
(Continued)**

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>WATER PLANT</b>				
Personal services:				
Salaries	996,500	928,000	912,658	15,342
Other postemployment benefit costs	96,902	96,902	80,479	16,423
Employee group insurance	229,000	204,000	196,919	7,081
Payroll taxes	98,250	94,750	86,736	8,014
Retirement fund	99,650	91,000	87,162	3,838
Total personal services	1,520,302	1,414,652	1,363,954	50,698
Supplies and materials:				
Chemicals	1,325,000	1,325,000	1,319,552	5,448
Computer supplies	2,500	2,500	840	1,660
Generator fuel	15,000	15,000	1,536	13,464
Gasoline and oil	11,000	11,000	9,086	1,914
Office supplies and expense	8,500	11,000	11,612	(612)
Raw water	120,000	134,000	131,398	2,602
Small tools	2,000	2,000	788	1,212
Plant supplies	4,500	10,000	10,575	(575)
Total supplies and materials	1,488,500	1,510,500	1,485,387	25,113
Other services and charges:				
Freight	500	500	53	447
Insurance and bonds	300,000	305,000	308,175	(3,175)
Lab analysis	2,000	2,000	1,512	488
Radio communications	8,100	12,000	11,018	982
Repairs and maintenance:				
Bayou Black reservoir maintenance	7,500	7,500	5,361	2,139
Plant maintenance	250,000	250,000	213,058	36,942
Tractor repairs	3,000	3,000	2,708	292
Truck and auto repairs	3,000	4,000	3,841	159
Seminars and schools	8,000	3,500	5,507	(2,007)
Telephone	7,000	7,000	6,601	399
Uniforms	900	900	410	490
Utilities	600,000	620,000	624,449	(4,449)
Total other services and charges	1,190,000	1,215,400	1,182,693	32,707
Total water plant	4,198,802	4,140,552	4,032,034	108,518
<b>BAC-T-LAB</b>				
Personal services:				
Salaries	175,500	178,000	172,833	5,167
Other postemployment benefit costs	11,200	11,200	27,604	(16,404)
Employee group insurance	52,000	53,000	47,309	5,691
Payroll taxes	17,500	17,500	16,778	722
Retirement fund	17,550	17,550	16,747	803
Total personal services	273,750	277,250	281,271	(4,021)

**Schedule 3  
(Continued)**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>BAC-T-LAB (Continued)</b>				
Supplies and materials:				
Computer supplies	750	750	374	376
Gasoline and oil	12,000	14,000	13,842	158
Lab supplies	17,000	17,000	17,720	(720)
Office supplies and expense	8,000	8,000	6,529	1,471
Total supplies and materials	<u>37,750</u>	<u>39,750</u>	<u>38,465</u>	<u>1,285</u>
Other services and charges:				
Freight	4,200	4,200	3,923	277
Insurance and bonds	20,000	20,000	18,971	1,029
Janitorial services	8,000	8,000	7,445	555
Lab analysis	34,000	40,000	40,272	(272)
Radio Communications	6,700	6,700	4,281	2,419
Repairs and maintenance:				
Equipment and building repairs	6,500	6,500	6,639	(139)
Truck and auto repairs	3,000	5,000	4,980	20
Seminars and schools	6,000	7,000	5,576	1,424
Telephone	2,300	2,300	1,839	461
Utilities	7,000	9,000	8,733	267
Total other services and charges	<u>97,700</u>	<u>108,700</u>	<u>102,659</u>	<u>6,041</u>
Total Bac-T-Lab	<u>409,200</u>	<u>425,700</u>	<u>422,395</u>	<u>3,305</u>
Totals	<u>\$ 11,265,746</u>	<u>\$ 11,027,676</u>	<u>\$ 10,805,798</u>	<u>\$ 221,878</u>
<b>OPERATING EXPENSES</b>				
Personal services	\$ 5,700,776	\$ 5,371,076	\$ 5,208,068	\$ 163,008
Supplies and materials	1,813,250	1,858,700	1,837,400	21,300
Other services and charges	<u>3,751,720</u>	<u>3,797,900</u>	<u>3,760,330</u>	<u>37,570</u>
Totals	<u>\$ 11,265,746</u>	<u>\$ 11,027,676</u>	<u>\$ 10,805,798</u>	<u>\$ 221,878</u>

**SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS -**  
**RESTRICTED ACCOUNTS REQUIRED BY REVENUE BOND ORDINANCES**

**Consolidated Waterworks District No.1 of the Parish of Terrebonne,  
State of Louisiana**

For the year ended June 30, 2014

	<u>Total</u>	<u>Revenue Bond Sinking Fund</u>	<u>Bond Reserve Fund</u>	<u>Depreciation and Contingencies Fund</u>
Cash and cash equivalents: July 1, 2013	\$ 6,692,714	\$ 1,245,923	\$ 2,682,283	\$ 2,764,508
Receipts:				
Transfers from the District	2,830,439	1,961,210	-	869,229
Transfers from Bond Reserve Fund	<u>71,363</u>	<u>71,363</u>	<u>-</u>	<u>-</u>
Total assets available	<u>9,594,516</u>	<u>3,278,496</u>	<u>2,682,283</u>	<u>3,633,737</u>
Disbursements:				
Retirement of matured bonds	1,429,000	1,429,000	-	-
Payment of matured interest coupons	1,221,219	1,221,219	-	-
Transfers to Revenue Bond Sinking Fund	71,363	-	71,363	-
Transfers to the District	526,678	36,000	490,678	-
Bond issuance costs	72,084	72,084	-	-
Capital improvements	<u>768,625</u>	<u>-</u>	<u>-</u>	<u>768,625</u>
Total disbursements	<u>4,088,969</u>	<u>2,758,303</u>	<u>562,041</u>	<u>768,625</u>
Cash and cash equivalents: June 30, 2014	<u>\$ 5,505,547</u>	<u>\$ 520,193</u>	<u>\$ 2,120,242</u>	<u>\$ 2,865,112</u>

**SCHEDULE OF INSURANCE IN FORCE****Consolidated Waterworks District No. 1 of the Parish of Terrebonne,  
State of Louisiana**

June 30, 2014

(Unaudited)

<u>Insurer</u>	<u>Type of Coverage</u>	<u>Amount of Insurance</u>	<u>Expiration Date</u>
Arch Insurance Company	Automobile liability	\$ 1,000,000	July 1, 2014
Arch Insurance Company	General liability	\$ 3,000,000	July 1, 2014
Louisiana United Businesses' Association	Workers' compensation	\$ 1,000,000	July 1, 2014
Continental Casualty Company	Combined building & personal property	\$ 30,000,000	June 1, 2015
Continental Casualty Company	Public employee dishonesty, forgery or alteration, theft, disappearance & destruction	\$ 25,000	June 1, 2015
Firemans Fund Insurance Companies/ Allianz Global Corporate & Specialty	Computer equipment	\$ 178,790	July 1, 2014
Harleysville Mutual Insurance Company	Flood	\$ 500,000	August 1, 2014

**WATER CUSTOMERS**

**Consolidated Waterworks District No. 1 of the Parish of Terrebonne,  
State of Louisiana**

**June 30, 2014**

**(Unaudited)**

**Records maintained by the District indicated 43,443 water customers at June 30, 2014,**

**There were no unmetered customers.**

**SCHEDULE OF COST PER SERVICE INSTALLATION****Consolidated Waterworks District No. 1 of the Parish of Terrebonne,  
State of Louisiana**

For the year ended June 30, 2014

(Unaudited)

**Field Crew Overhead**

Chemicals	\$ 18,835
Depreciation expense	34,966
Employee group insurance	233,430
Equipment repairs	101,204
Freight	485
Gasoline and oil	69,203
Insurance and bonds	176,689
Other post employment benefit costs	80,094
Office supplies and expenses	39,204
Payroll taxes	78,592
Radio communications	24,689
Retirement fund	79,491
Seminars and schools	9,453
Small tools	6,747
Truck and auto repairs	28,759
Uniforms	4,415
Watertower maintenance	72,379

Total field crew overhead	1,058,635
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Service installation salaries as a percentage of total field crew salaries (\$37,138/\$837,853)	4.43%
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Field crew overhead applicable to service installations	46,924
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**Administrative Overhead**

Total administrative costs	808,617
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Service installation salaries/Total salaries excluding administrative salaries (\$37,138/\$3,091,916)	1.20%
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Administrative overhead applicable to service installations	9,713
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Total service installation overhead costs	\$ 56,637
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**Calculation of Average Cost per Service Installation**

Service installation work order costs	\$ 263,475
Labor and equipment contractor for service installation	22,038
Total service installation overhead costs	56,637

Total service installation costs	\$ 342,150
Number of service installations	385

Average cost per service installation	\$ 889
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**SCHEDULE OF COST OF WATER PRODUCED**  
**AND CONTRACT PRICE OF WATER TO BE SOLD TO**  
**LAFOURCHE PARISH WATER DISTRICT NO. 1**

Schedule 8

Consolidated Waterworks District No. 1 of the Parish of Terrebonne,  
State of Louisiana

For the Year Ended June 30, 2014  
(Unaudited)

**Costs (From Annual Report)**

Water plant expense	\$ 4,032,034
Administrative (25% of total)	202,154
Engineering (25% of total)	149,105
Bac-T-Lab (25% of total)	105,599
Depreciation - water filter	279,395
Depreciation - plant	<u>1,412,072</u>

Total costs	<u><u>\$ 6,180,359</u></u>
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**Water Produced (Thousand Gallons) - Unaudited**

Net production per Waterworks	
District No. 1's records - unaudited	4,963,690
Less 10% per terms of contract	<u>(496,369)</u>

Net production (thousand gallons)- Unaudited	<u><u>4,467,321</u></u>
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Cost Per Thousand Gallons - Unaudited	\$ 1.38346
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**Additions to Cost - Unaudited**

Greater of 40% of cost or five	
cents per thousand gallons	<u>0.55338</u>

Total Contract Price Per Thousand Gallons - Unaudited	<u><u>\$ 1.93684</u></u>
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**SCHEDULE OF OPERATING REVENUES AND OPERATING EXPENSES****Consolidated Waterworks District No. 1 of the Parish of Terrebonne,  
State of Louisiana**

For the years ended June 30, 2014, 2013, 2012, 2011, and 2010

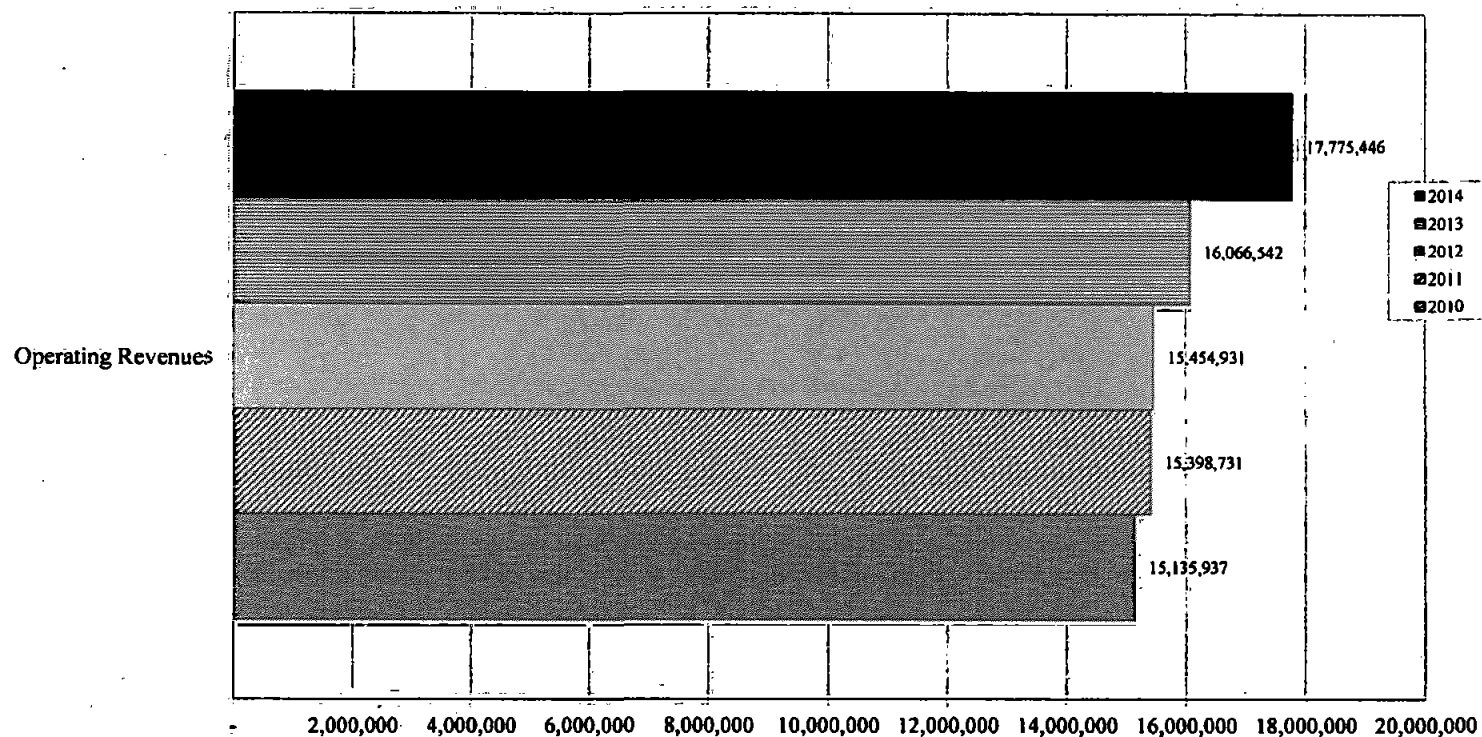
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>OPERATING REVENUES</b>	<b>\$ 17,775,446</b>	<b>\$ 16,066,542</b>	<b>\$ 15,454,931</b>	<b>\$ 15,398,731</b>	<b>\$ 15,135,937</b>
<b>OPERATING EXPENSES</b>					
Personal services	\$ 5,208,068	\$ 5,051,222	\$ 4,791,986	\$ 4,751,660	\$ 4,640,137
Supplies and materials	1,837,400	1,709,523	1,781,904	1,662,286	1,755,374
Other services and charges	3,760,330	3,478,832	3,387,138	3,221,147	3,405,601
Depreciation	3,812,072	3,474,321	3,547,330	3,327,140	3,050,993
<b>Totals</b>	<b>\$ 14,617,870</b>	<b>\$ 13,713,898</b>	<b>\$ 13,508,358</b>	<b>\$ 12,962,233</b>	<b>\$ 12,852,105</b>



**OPERATING REVENUES**

**Consolidated Waterworks District No. 1 of the Parish of Terrebonne,  
State of Louisiana**

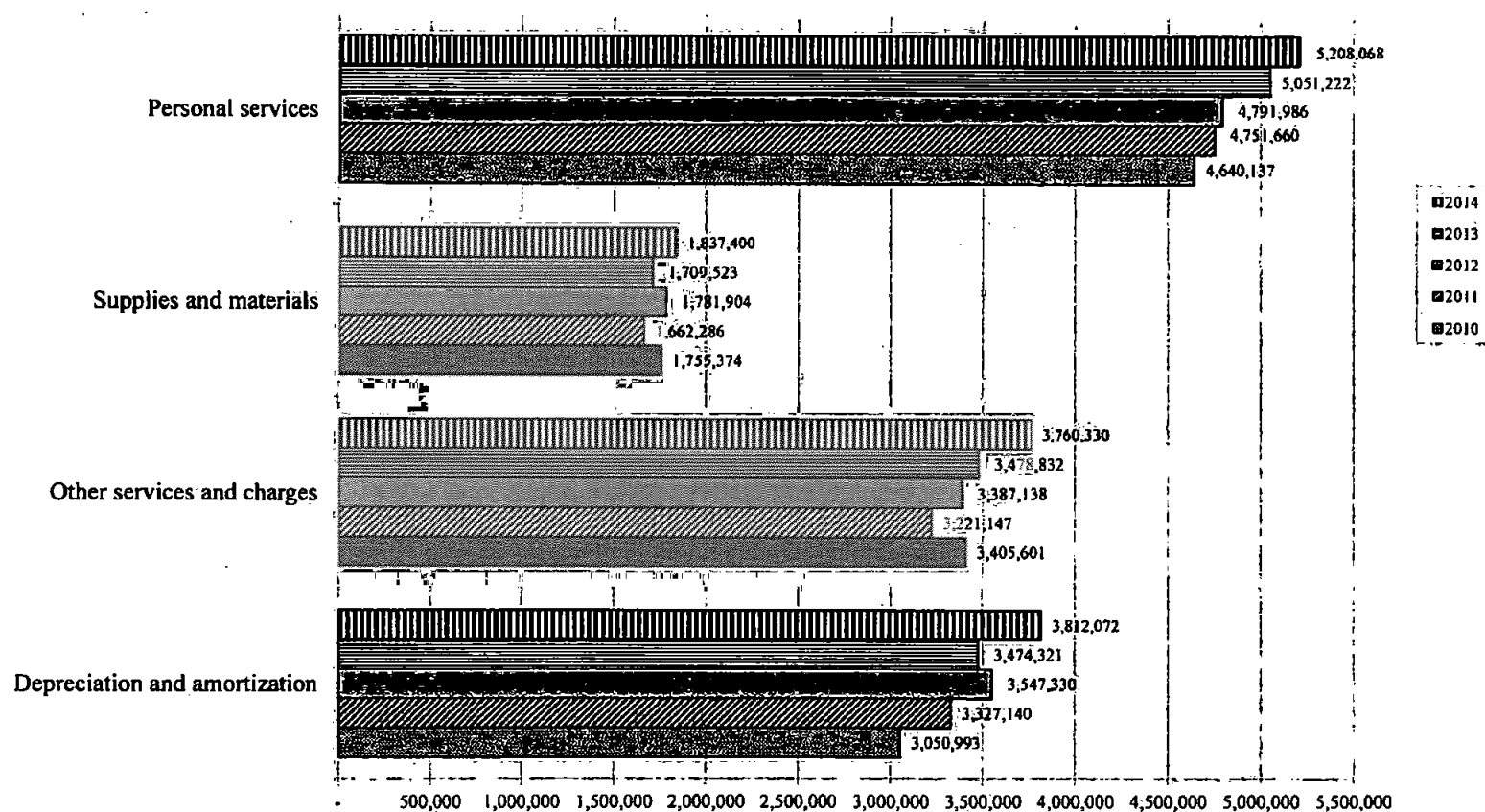
For the years ended June 30, 2014, 2013, 2012, 2011 and 2010



**OPERATING EXPENSES**

**Consolidated Waterworks District No. 1 of the Parish of Terrebonne,  
State of Louisiana**

For the years ended June 30, 2014, 2013, 2012, 2011, and 2010



**SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners,  
Consolidated Waterworks District No. 1 of the  
Parish of Terrebonne, State of Louisiana,  
Houma, Louisiana.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Consolidated Waterworks District No. 1 of the Parish of Terrebonne, State of Louisiana, (the District), a component unit of the Terrebonne Parish Consolidated Government, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 27, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weakness may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion of the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Governmental Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Bourgeois Bennett, LLC.*

Certified Public Accountants.

Houma, Louisiana,  
October 27, 2014.

## **SCHEDULE OF FINDINGS AND RESPONSES**

### **Consolidated Waterworks District No. 1 of the Parish of Terrebonne, State of Louisiana**

For the year ended June 30, 2014

#### **Section I Summary of Auditor's Results**

##### **a) Financial Statements**

Type of auditor's report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes      X   no
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ yes      X   none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes      X   no

##### **b) Federal Awards**

Consolidated Waterworks District No. 1 did not expend federal awards in excess of \$500,000 during the year ended June 30, 2014 and therefore is exempt from the audit requirements under Single Audit Act and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

#### **Section II Financial Statement Findings**

No financial statement findings were noted during the audit for the year ended June 30, 2014.

## **REPORTS BY MANAGEMENT**

## **SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES**

### **Consolidated Waterworks District No. 1 of the Parish of Terrebonne, State of Louisiana**

For the year ended June 30, 2014

#### **Section I Internal Control and Compliance Material to the Basic Financial Statements**

##### **Internal Control**

No material weaknesses were reported during the audit for the year ended June 30, 2013.

No significant deficiencies were reported during the audit for the year ended June 30, 2013.

##### **Compliance**

No compliance findings material to the financial statements were noted during the audit for the year ended June 30, 2013.

#### **Section II Internal Control and Compliance Material to Federal Awards**

Consolidated Waterworks District No. 1 did not expend federal awards in excess of \$500,000 during the year ended June 30, 2013 and therefore is exempt from the audit requirements under Single Audit Act and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

#### **Section III Management Letter**

A management letter was not issued in connection with the audit for the year ended June 30, 2013.



## **MANAGEMENT'S CORRECTIVE ACTION PLAN**

### **Consolidated Waterworks District No. 1 of the Parish of Terrebonne, State of Louisiana**

For the year ended June 30, 2014

#### **Section I Internal Control and Compliance Material to the Basic Financial Statements**

##### **Internal Control**

No material weaknesses were reported during the audit for the year ended June 30, 2014.

No significant deficiencies were reported during the audit for the year ended June 30, 2014.

##### **Compliance**

No compliance findings material to the financial statements were noted during the audit for the year ended June 30, 2014.

#### **Section II Internal Control and Compliance Material to Federal Awards**

No findings or questioned costs were reported during the audit of the consolidated financial statements for the year ended June 30, 2014.

#### **Section III Management Letter**

A management letter was not issued in connection with the audit for the year ended June 30, 2014.